

Message Text

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ORIGIN AF-18

INFO OCT-01 EUR-25 ISO-00 EB-11 TRSE-00 SSO-00 NSCE-00

USIE-00 INRE-00 AID-20 OMB-01 CIAE-00 INR-10 NSAE-00

RSC-01 SS-20 SPC-03 NSC-10 IGA-02 L-03 PA-04 PRS-01

INT-08 SAM-01 CIEP-02 STR-08 CEA-02 COME-00 FRB-02

XMB-07 OPIC-12 LAB-06 SIL-01 /179 R

DRAFTED BY AF/W:JKBISHOP:JS

APPROVED BY AF:RSSMITH

AF/W:JLLOUGHRAN

EB/IFD/ODF:MLINTON

TREAS:HSHAPIRO

AFR/CWA:AHELLIS

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O R 252109Z FEB 74

FM SECSTATE WASHDC

TO AMEMBASSY ACCRA IMMEDIATE

AMEMBASSY LONDON IMMEDIATE

INFO AMEMBASSY BONN

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E.O. 11652: N/A

TAGS: EFIN, EAID, PFOR, GH, IBRD

SUBJECT: GHANA DEBT: FORDWOR/NIKOI MEETING WITH SMITH

REF: STATE 032746

1. IN THEIR FEBRUARY 25 CALL ON DEPUTY ASSISTANT SECRETARY SMITH, SPECIAL ASSISTANT FORDWOR AND CENTRAL BANK GOVERNOR NIKOI OUTLINED FAMILIAR REASONS GOG UNWILLING PAY TWO AND HALF PERCENT INTEREST, PLACING PARTICULAR STRESS ON INCREASED COST PETROLEUM IMPORTS. THEY STATED GOG HOPES PRIOR AGREEMENT TO THIS INTEREST RATE WILL NOT BE PRECONDITION
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FOR ROME MEETING, WHICH THEY EMPHASIZED GOG WISHES SEE HELD

MARCH 11. FORDWOR AND NIKOI GAVE NO HINT GOG WILL RETREAT FROM ITS INSISTENCE ON PAYING NO MORE THAN TWO PERCENT. FORDWOR SAID INTEREST RATE WAS QUOTE POLITICAL PROBLEM UNQUOTE FOR ASHLEY-LASSEN AND NRC.

2. IN HIS RESPONSE, SMITH SAID REVISED 10/18/2.5 PERCENT FORMULA TAILORED TO WHAT CREDITORS HAD BEEN TOLD WERE GHANAIAAN PRIORITIES AND EXTREMELY GENEROUS. SMITH SAID MAJOR CREDITORS FEEL STRONGLY THEY HAVE MADE ALL CONCESSIONS THEY ARE PREPARED TO MAKE. HE REVIEWED ADVANTAGES FOR GOG IN DEBT SETTLEMENT AND UNDERLINED CREDITORS' CONCERN WITH PRECEDENT MORE LIBERAL TERMS COULD CREATE WITH ADDITIONAL RESCHEDULING EXERCISES ONGOING OR ANTICIPATED SHORTLY. SMITH ADVISED FORDWOR AND NIKOI THAT CONTINUED DELAY IN

ACHIEVING RESCHEDULING ACCORD COULD RESULT IN CUTS IN PLANNED US ASSISTANCE.

3. FORDWOR OUTLINED GOG'S CONCERN THAT INDUSTRIALIZED COUNTRIES MAY REDUCE AID IN VIEW CURRENT WORLDWIDE ECONOMIC CRISIS, AND HE SAID GOG SHOCKED BY CONGRESSIONAL ATTITUDE TOWARD IDA REPLENISHMENT. HE OPINED THAT GOG MIGHT BE BETTER OFF NOT PAYING DEBTS, MENTIONING BASCOL ONLY PRIVATE INVESTMENT WHICH APPEARED LIKELY SUFFER. NIKOI BROUGHT FORDWOR BACK FROM THIS TANGENT, REPEATING THAT GOG WANTS SETTLEMENT NOW, SO THAT A DEVELOPMENT PROGRAM CAN GET UNDERWAY.

4. WHEN QUESTIONED AGAIN BY FORDWOR ON ATTITUDE OF CREDITORS, PARTICULARLY BRITISH, TOWARD INTEREST RATE AND ROME MEETING, SMITH SAID LE QUESNE CURRENTLY CONSULTING WITH CREDITORS IN PROCESS DRAFTING RESPONSE TO ASHLEY-LASSEN'S LETTER. SMITH ADDED THAT BRITISH AND OTHER CREDITORS HAVE COME LONG WAY FROM RESCHEDULING TERMS OF PAST AND BELIEVE THEY HAVE COME AS FAR AS THEY CAN GO.

5. DURING BRIEF DISCUSSION OTHER ELEMENTS OF DRAFT AGREED MINUTE, FORDWOR REVEALED QUOTE OFF THE RECORD UNQUOTE THAT MASON OF ECGD PROPOSED TO ASANTE A QUOTE DEAL UNQUOTE ON REPUDIATED DEBTS WHICH IS SO TECHNICAL GOG HAS LEFT IT TO LIMITED OFFICIAL USE

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ASANTE AND LAWYERS TO STUDY. ASANTE HAS PREPARED PAPER ON TOPIC FOR MASON'S CONSIDERATION. ON THIS ISSUE AND POST-NKRUMAH DEBTS, FORDWOR AND NIKOI INDICATED GOG OPTIMISTIC AGREEMENT REACHED OR NEAR. NIKOI SAID THAT TO DEMONSTRATE GOOD FAITH ON PARTICIPATION, GOG HOPES PAY 20 PERCENT OF COMPENSATION DUE SOME MINING AND TIMBER COMPANIES PRIOR ROME MEETING. NIKOI DID NOT IDENTIFY COMPANIES OTHER THAN CAST, BUT SAID UNION CARBIDE EXCLUDED QUOTE

DUE SPECIAL PROBLEMS UNQUOTE. NIKOI SAID GOG HAS REPAYED AN ADDITIONAL 16.7 MILLION CEDIS IN SHORT TERM DEBT, THEREBY CLEARING ALL TRADE ARREARS OF 10,000 CEDIS OR LESS.

6. COMMENT: LIKE ASHLEY-LASSEN IN BONN, FORDWOR AND NIKOI APPEARED BE TESTING CREDITOR SOLIDARITY, PARTICULARLY ON INTEREST RATE ISSUE. THEY RECONFIRMED EARLIER INDICATIONS THIS IS VERY SERIOUS QUESTION FOR NRC- THEY GAVE IMPRESSION THEY ARE NOT SURE IF THIS WOULD BE BREAKING POINT, BECAUSE IT CURRENTLY UNDER DISCUSSIONS IN ACCRA. MESSAGE WHICH CAME THROUGH UNEQUIVOCALLY IS THAT GOG WANTS ROME MEETING HELD MARCH 11.

7. FOR ACCRA: FORDWOR AND NIKOI WERE VERY GENEROUS IN EXPRESSIONS OF APPRECIATION FOR ROLES PLAYED BY USG, AND SMITH IN PARTICULAR, IN MOVING CREDITORS TO LIBERAL TERMS. WHILE THESE EXPRESSIONS PROBABLY TACTICAL PLOY TO SOME DEGREE, THERE APPEARED BE SOME ELEMENT SINCERITY, SUGGESTING THERE ARE SOME CREDIT ENTRIES ON LEDGER US-GHANAIAAN RELATIONS MAINTAINED IN ACCRA.

8. FOR LONDON AND BONN: PLEASE BRIEF FCO AND GEHRING OR DEPUTY IN HIS ABSENCE RESPECTIVELY DRAWING ON ALL PRECEDING PARAGRAPHS EXCEPT PARA SEVEN. CASEY

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